

Half Year Financial Statement And Dividend Announcement for the Period Ended 30 June 2015

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a) An income statement and statement of comprehensive income or a statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	For the half year ended		
	30 Jun 15	30 Jun 14	
	Unaudited	Unaudited	
	\$ '000	\$ '000	%
Revenues			
Products and installation	3,410	9,043	(62.29)
Services and maintenance	218	206	5.83
Rental income	-	1,526	NM
Total revenues	3,628	10,775	(66.33)
Other items of income			
Dividend income	2	3	(33.33)
Other income	986	82	NM
Total other items of income	988	85	NM
Costs and expenses			
Cost of products and installation	(1,897)	(5,890)	(67.79)
Property operating expenses	-	(1,140)	NM
Salaries and employee benefits	(1,373)	(1,607)	(14.56)
Depreciation expense	(44)	(93)	(52.69)
Other expenses	(532)	(660)	(19.39)
Total costs and expenses	(3,846)	(9,390)	(59.04)
Profit before income tax	770	1,470	(47.62)
Income tax expense	(19)	(186)	(89.78)
Profit net of tax, attributable to equity holders of the parent	751	1,284	(41.51)
Other comprehensive income :			
Foreign currency translation	(40)	4	NM
Total comprehensive income attributable to equity holders of the parent	711	1,288	(44.80)
Note 1:			
Fair value gain on investment property	720	-	NM
Foreign exchange gain	38	-	NM
Overprovision of reinstatement cost	65	-	NM
Interest income	95	68	39.71
Others	68	14	385.71
	986	82	1,102.44

Note: NM denotes Not Meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30 Jun 15	31 Dec 14	30 Jun 15	31 Dec 14
	Unaudited	Audited	Unaudited	Audited
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	212	252	81	102
Investment property	16,800	13,800	-	-
Intangible asset - development cost	196	166	-	-
Fixed deposits	4,000	2,000	-	-
Investment in subsidiaries	-	-	9,023	9,023
Deferred tax asset	-	8	-	-
	<u>21,208</u>	<u>16,226</u>	<u>9,104</u>	<u>9,125</u>
Current assets				
Cash and bank balances	6,015	8,607	2,850	2,988
Fixed deposits	9,678	12,253	4,570	7,185
Trade receivables	1,331	1,978	8	-
Prepayments	83	73	31	33
Deposits	81	96	47	47
Other receivables	6	51	-	-
Investment securities	67	68	-	-
Amounts due from subsidiaries	-	-	3,225	1,014
Inventories	216	253	-	-
Gross amount due from customers for contract work-in-progress	1,045	765	-	-
	<u>18,522</u>	<u>24,144</u>	<u>10,731</u>	<u>11,267</u>
Current liabilities				
Trade payables	(515)	(677)	(49)	(43)
Deferred revenue	(126)	(133)	-	-
Other payables	(1,581)	(2,261)	(314)	(839)
Income tax payable	(165)	(305)	(7)	(14)
Amounts due to subsidiaries	-	-	(456)	(509)
Gross amount due to customers for contract work-in-progress	(683)	(1,052)	-	-
	<u>(3,070)</u>	<u>(4,428)</u>	<u>(826)</u>	<u>(1,405)</u>
Net current assets	15,452	19,716	9,905	9,862
Non-current liabilities				
Deferred tax liabilities	(12)	(5)	-	-
	<u>(12)</u>	<u>(5)</u>	<u>-</u>	<u>-</u>
Net assets	36,648	35,937	19,009	18,987
Equity attributable to equity holders of the parent				
Share capital	27,224	27,224	27,224	27,224
Foreign currency translation reserve	(151)	(111)	-	-
Accumulated profits/ (losses)	9,575	8,824	(8,215)	(8,237)
Total equity	36,648	35,937	19,009	18,987

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Not applicable. The Group does not have any borrowings and debt securities as at 30 June 2015 and 31 December 2014.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	For the half year ended	
	30 Jun 15	30 Jun 14
	Unaudited	Unaudited
	S\$'000	S\$'000
Operating activities		
Profit before income tax	770	1,470
<u>Adjustments for :</u>		
Interest income	(95)	(68)
Dividend income from investment securities	(2)	(3)
Depreciation of property, plant and equipment	44	93
Provision for doubtful debt	-	117
Fair value gain on investment property	(720)	-
Fair value loss on investment securities	1	1
Currency realignment	(40)	-
Operating cash flows before changes in working capital	(42)	1,610
Decrease/ (increase) in trade and other receivables	692	(432)
Decrease in prepayments and deposits	5	8
Decrease in inventories	37	21
Decrease in deferred rental income	-	52
(Increase)/ decrease in gross amount due from customers for contract work-in-progress	(280)	277
(Decrease)/ increase in trade payables	(162)	627
Decrease in deferred revenue	(7)	(28)
Decrease in other payables	(680)	(512)
Decrease in deferred rental expense	-	(113)
Decrease in gross amount due to customers for contract work-in-progress	(369)	(441)
Cash flows (used in)/ generated from operations	(806)	1,069
Interest received	95	68
(Payment)/ refund of taxes	(144)	8
Net cash flows (used in)/ generated from operating activities	(855)	1,145
Investing activities		
Purchase of property, plant and equipment	(4)	(5)
Dividends received from investment securities	2	3
Additions to investment property	(2,280)	(679)
Cash attributed to research development cost	(30)	-
Net cash flows used in investing activities	(2,312)	(681)
Financing activities		
Increase in fixed deposit pledged	(2,000)	-
Net cash flows used in financing activities	(2,000)	-
Net (decrease)/ increase in cash and cash equivalents	(5,167)	464
Cash and cash equivalents at 1 January	20,860	14,927
Cash and cash equivalents at 30 June	15,693	15,391

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

<u>Group (Unaudited)</u>	Share Capital	Foreign Currency Translation Reserve	Accumulated Profits/ (Losses)	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000
2015				
At 1 January	27,224	(111)	8,824	35,937
Profit net of tax	-	-	751	751
Other comprehensive income for the half year	-	(40)	-	(40)
Total comprehensive income for the half year	-	(40)	751	711
At 30 June	27,224	(151)	9,575	36,648
2014				
At 1 January	27,224	(93)	3,929	31,060
Profit net of tax	-	-	1,284	1,284
Other comprehensive income for the half year	-	4	-	4
Total comprehensive income for the half year	-	4	1,284	1,288
At 30 June	27,224	(89)	5,213	32,348
<u>Company (Unaudited)</u>				
2015				
At 1 January	27,224	-	(8,237)	18,987
Profit net of tax	-	-	22	22
Total comprehensive income for the half year	-	-	22	22
At 30 June	27,224	-	(8,215)	19,009
2014				
At 1 January	27,224	-	(8,317)	18,907
Profit net of tax	-	-	30	30
Total comprehensive income for the half year	-	-	30	30
At 30 June	27,224	-	(8,287)	18,937

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's share capital between 31 December 2014 and 30 June 2015.

There were no outstanding convertibles as at 30 June 2015 and 30 June 2014.

There were no treasury shares as at 30 June 2015 and 30 June 2014.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued shares as at 30 June 2015 was 271,980,729 (31 December 2014: 271,980,729). There were no treasury shares as at 30 June 2015 and 31 December 2014.

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has adopted the same accounting policies and methods of computation in the financial statements for the current financial period compared with those for the audited financial statements for the year ended 31 December 2014, except for those as stated in Note 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted applicable new or revised Financial Reporting Standards ("FRS") which became effective for financial years beginning on or after 1 January 2015. The adoption of these FRS did not have any material impact on the financial statements of the Group and the Company for the current financial period reported on.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Earnings per Ordinary Shares (S'pore Cents)

	For the half year ended	
	30 Jun 15 (Unaudited)	30 Jun 14 (Unaudited)
a) Based on weighted average number of ordinary shares in issue	0.276	0.472
b) On a fully diluted basis	0.276	0.472

The earnings per ordinary share for the half year ended 30 June 2015 is calculated based on the weighted average of 271,980,729 ordinary shares (half year ended 30 June 2014: 271,980,729 ordinary shares) in issue. The basic and fully diluted earnings per ordinary shares are the same as there were no potentially dilutive shares in issue during and as at the end of the half year ended 30 June 2015 and 30 June 2014.

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial year.**

Net Asset Value per Ordinary Shares (S'pore Cents)	Group	Company
As at 30 June 2015 (Unaudited)	13.474	6.989
As at 31 December 2014 (Audited)	13.213	6.981

Net asset value per share is calculated based on 271,980,729 shares as at 30 June 2015 and 31 December 2014.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Half year ended 30 June 2015 ("1H15") vs. half year ended 30 June 2014 ("1H14")

Income Statement

Revenues

Group's revenue decreased by S\$7,147k from S\$10,775k (1H14) to S\$3,628k (1H15) attributed to the following reasons:-

Revenue from products and installation decreased by S\$5,633k from S\$9,043k (1H14) to S\$3,410k (1H15) mainly due to the completion of two major projects during the financial year ended 31 December 2014 and slower progression of several existing projects. The two major projects contributed S\$6,966k of revenue in 1H14 but only contributed S\$586k of revenue in 1H15.

With the expiry of the commercial leases related to a sale and leaseback agreement in July 2014, there was no rental income for the period under review.

Other items of income

The Group's total other items of income increased by S\$903k from S\$85k (1H14) to S\$988k (1H15) mainly due to a fair value gain on the investment property of S\$720k (1H14: S\$NIL) on the revaluation of investment property at 28 Riverside Road; overprovision of reinstatement costs of S\$65k (1H14: S\$NIL); foreign exchange gain of S\$38k (1H14: S\$NIL); and interest income of S\$95k (1H14: S\$68k) for higher interest rates earned on fixed deposits.

Costs and expenses

The Group's costs and expenses decreased by S\$5,544k from S\$9,390k (1H14) to S\$3,846k (1H15) for the following reasons:-

Cost of products and installation decreased by S\$3,993k from S\$5,890k (1H14) to S\$1,897k (1H15) due to the corresponding lower revenue generated in 1H15.

With the expiry of lease agreement in July 2014, there was no property operating expenses for the period under review as compared to S\$1,140k in 1H14.

Salaries and employee benefits decreased by S\$234k from S\$1,607k (1H14) to S\$1,373k (1H15), in-line with decreased activities from products and installation.

Profit before Income Tax

Due to the above reasons, the Group's profit before income tax for the period under review decreased by S\$700k from S\$1,470k (1H14) to S\$770k (1H15).

Profit net of Tax

The Group's profit net of tax decreased by S\$533k from S\$1,284k (1H14) to S\$751k (1H15).

Balance Sheet

Non-current assets

The Group's property, plant and equipment decreased by S\$40k from S\$252k (31 Dec 2014) to S\$212k (30 Jun 2015) after accounting for depreciation expense of S\$44k and assets acquisition of S\$4k during 1H15.

Investment property (i.e. 28 Riverside Road) increased by S\$3,000k from S\$13,800k (31 Dec 2014) to S\$16,800k (30 Jun 2015) due to redevelopment costs of S\$2,280k capitalised and revaluation gain of S\$720k.

Intangible asset - development cost increased by \$30k as a result of the capitalisation of the additional cost incurred related to research collaboration with Nanyang Technological University ("NTU").

Fixed deposit pledged increased by \$2,000k from S\$2,000k (31 Dec 2014) to S\$4,000k (30 June 2015) for additional bank facilities obtained in 1H15.

Current assets

The Group's cash and cash equivalents of S\$15,693k (30 Jun 2015), comprising of fixed deposits and cash and bank balances, decreased by S\$5,167k from S\$20,860k (31 Dec 2014), mainly due to lower revenue, increase in pledged fixed deposits for banking facilities and expenditure incurred in relation to the redevelopment of the investment property.

The Group's trade receivable decreased by S\$647k from S\$1,978k (31 Dec 2014) to S\$1,331k (30 Jun 2015), in-line with lower revenue from products and installation.

The Group's other receivables decreased by S\$45k from S\$51k (31 Dec 2014) to S\$6k (30 Jun 2015) mainly due to the receipt of cash payout from the Inland Revenue Authority of Singapore under the Productivity and Innovation Credit Scheme in January 2015.

Contract work-in-progress account changed from net amount due to customer of S\$287k (31 Dec 2014) to net amount due from customer of S\$362k (30 Jun 2015). The increase of S\$649k in net amount due from customer for contract work-in-progress was due to timing difference for progress billings. Project work performed till 30 June 2015 were only billed after 30 June 2015 upon receipt of the payment responses from the respective main contractors.

Current liabilities

The Group's trade payables decreased by S\$162k from S\$677k (31 Dec 2014) to S\$515k (30 Jun 2015), in-line with decreased activities from products and installation.

The Group's other payable decreased by S\$680k from S\$2,261k (31 Dec 2014) to S\$1,581k (30 Jun 2015) mainly due to lower provision for employees related expenses, in-line with decreased activities from products and installation.

The Group's income tax payable decreased by S\$140k from S\$305k (31 Dec 2014) to S\$165k (30 Jun 2015). The decrease was mainly due to income tax for year of assessment 2015 paid during the period under review and the decrease in taxable profit for 1H15.

Cashflow Statement

The Group utilised S\$855k of cash for its operating activities in 1H15, as compared to cash generated of S\$1,145k in 1H14. This was mainly due to lower revenue and higher tax payment in 1H15.

The Group utilised S\$2,312k of cash in its investing activities in 1H15, as compared to S\$681k in 1H14. The cash outflow in 1H15 was mainly due to payment for redevelopment of the investment property.

The Group utilised S\$2,000k of cash in its financing activities in 1H15 as compared to nil in 1H14. This was for the increase in fixed deposit pledged to bank for additional bank facilities.

As a whole, the Group utilised cash of S\$5,167k in 1H15 as compared to generated cash of S\$464k in 1H14. The cash and cash equivalents as at 30 June 2015 was S\$15,693k.

- 9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

- 10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group's operating environment for the second half of FY2015 continues to be very challenging with strong market competition in the industry and increasing operating and labour costs.

The Group's order book as at 30 June 2015 amounted to S\$8,605k which the Group expects to be substantially completed in the next 12 months.

The research and development collaboration with NTU is ongoing and is expected to complete by the second half 2015. The redevelopment of 28 Riverside is expected to be completed by the end of 2015.

- 11. Dividend**

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

- 12. If no dividend has been declared/recommendeded, a statement to that effect.**

No dividend has been declared for the current financial period reported on.

- 13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group does not have a shareholders' mandate for interested person transactions. There was no interested person transaction for the 6-months ended 30 June 2015.

- 14. Negative Confirmation by the Board pursuant to Rule 705(5) OF THE LISTING MANUAL SECTION B: RULES OF CATALIST**

We, Tan Eng Liang and Lee Ee @ Lee Eng, being two directors of Progen Holdings Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the unaudited half-year financial statement for the period ended 30 June 2015 to be false or misleading in any material aspects.

**BY ORDER OF THE BOARD
PROGEN HOLDINGS LTD**

**Lee Ee @ Lee Eng
Managing Director
14 August 2015**

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Thomas Lam, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.